UNIVERSAL SERVICE IN THE GLOBAL TELECOMMUNICATIONS MARKET:
A STUDY OF THE 1997 FCC BENCHMARKING ORDER IN REFORMING THE
INTERNATIONAL ACCOUNTING RATE SYSTEM

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Abstract

In light of the growing importance of telecommunications (telecom) in the global economy, the divergence between “telecom haves” and “telecom have-nots” may lead to an unprecedented disparity in quality of life between them. Given liberalization of domestic telecom markets after the 1997 WTO Agreement on Basic Telecom Services, it is still not clear whether universal service is consistent with corporate profits. In an increasingly competitive environment, how can universal access be achieved so that consumers living in all rural and urban areas in the world can promote their liberty and improve their welfare in contemporary life?

In this thesis, I addressed this question by examining the effects of the 1997 FCC Benchmarking Order in reforming the international accounting rate system (IARS) – an international system of revenue sharing for international phone calls. In view of the theoretical and empirical findings, I argue that the 1997 FCC Order was designed to apply “incentive regulation” to the emerging global telecom market. While the FCC Order succeeded in increasing the efficiency of the international service sector in the global telecom market, it could not solve the most critical “non-market” problem – ensuring universal service worldwide.
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